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SUBJECT: LABOR DISPUTE AT MOLEX AUTOMOTIVE SARL

SUMMARY

¶1. (SBU): Negotiations over the closure and loss of 280 jobs at Molex Automotive SARL, a US-owned automotive supplier near Toulouse, have taken a sharp turn for the worse. Discussions on a buyout between Molex and an investment fund brought in by the GOF ended in a stalemate. Minister of Industry Christian Estrosi accused the U.S. firm of bad faith and threatened to call on French auto firms to boycott Molex. President Sarkozy weighed in publicly against Molex, arguing that the company's rejection of the proposed buyout is part of Molex's efforts to prevent competitors from entering the market after its departure. Renault announced it would reevaluate its relations with Molex. Talks conducted by a GOF-appointed mediator with unions on the "social plan" of layoff benefits appeared to be making some progress, but broke down after the GOF interventions. Molex is fast reaching its own deadline for closing in France and threatens to allow its subsidiary to go bankrupt if a negotiated outcome is not in the offing. End Summary.

¶2. (SBU) Molex Incorporated is a global electronic components company based in Lisle, Illinois. In October 2008, the company announced it was closing Molex Automotive SARL, a plant near Toulouse producing connectors for the automotive industry. A local judge approved the closure as justified by difficult economic factors within the automotive sector and Molex initiated negotiations on severance and retraining benefits as required by French labor law, and also began looking for a buyer for the facility.

¶3. (SBU) The leftist Confederation Generale du Travail (CGT) leads a group of unions that represent Molex workers and the local has a radical tendency. The union has consistently rejected the firm's decision to close the plant as illegitimate and has refused to negotiate a severance and retraining package. The union claims that since the plant turned a profit last year, the decision cannot be based on economic factors.

¶4. (SBU) In April 2009, angry workers at Molex "boss-napped" two managers for nearly 48 hours. (Note: This was one of a series of instances during the first half of the year in which managers were detained as a high pressure negotiating and media grabbing tactic. French officials subsequently denounced the practice, but none of these cases have been treated as hostage-takings. One of the Molex managers subsequently told EMIN that while the boss-nappers clearly did not intend physical harm, they were mostly inebriated, a situation that could easily have become dangerous. End Note.) The workers told the press that management failed to provide documents to a consultancy firm hired by the union to prepare an expert report challenging the economic justification for closing. Workers expressed frustration in media reports when the company reportedly dismissed the consultancy's findings and launched legal action against the works council representing employees for detaining the

two managers. In response, employee representatives voted to stage an unlimited strike. On July 7, Molex workers went on strike and solicited national and local authorities to prevent the plant's closure.

¶5. (SBU) On August 5, Molex' U.S.-based Director of Business Development Eric Doesburg was assaulted by Molex employees and pelted with eggs. He had had recent knee surgery and stated that he sustained some injuries in the assault leading him to file a criminal complaint. Two French security guards were also jostled by Molex personnel and property was damaged. French police did not intervene, though versions differ on whether and when they were called, and on what actually happened outside the plant.

¶6. (SBU) The following day Doesburg turned to the American Presence Post in Toulouse for assistance and APP Toulouse contacted Embassy. The APP had been in touch with Molex regularly over last the year but had become involved in any business decisions. Embassy followed up at once through RSO law enforcement liaison channels. In addition to the police channel, EMIN spoke with Economy Minister Lagarde's chief of staff and with the Invest in France Agency and met with Industry Minister Estrosi's chief of staff. French officials condemned any use of violence or force by union members and assured us that measures would be taken to ensure safety and security.

¶7. (SBU) On August 13, President Sarkozy instructed Minister Estrosi to appoint a mediator, which he did at once. In a press release, Sarkozy reiterated the legal obligations of companies that are restructuring (i.e. closing): to search for industrial solutions and provide professional retraining. Dialogue is absolutely crucial, he stressed, while condemning the use of violence.

Minister of Economy Lagarde echoed Sarkozy's key messages in a media interview: the social dialogue must never be interrupted and every effort must be made to save jobs and find an acquirer. However, there will be situations when jobs can't be saved, after all Lagarde stated: "Foreign investment in France is determined by investors".

¶8. (SBU) Molex's Doesburg returned to France the following week and met with both Elysee staff and with EMIN before heading to Toulouse for his first meeting with the mediator. He then met with Minister Estrosi in Paris August 25. The Industry Ministry insisted that Molex offer to sell not only its plant, but some part of its product line and customer base, which the firm refused to consider.

¶9. (SBU) Despite some progress in the mediated negotiations regarding the social plan, Minister Estrosi issued an accusatory press release on September 2 and called for a boycott of Molex products by French auto producers unless the company agreed to an acquisition This followed the failure of Molex to cut a deal with an investment firm brought in by the GOF. On September 3, President Sarkozy told the press that if there is a buyer for Molex, it will benefit from GOF backing and restated his priority for an industrial solution. He claims that it is not "fair play" for Molex to leave and try to thwart a buyout and thus prevent a competitor from entering the market. Sarkozy denounced the way the U.S. company was handling the shut-down, in particular, its treatment of the workers "who are not merchandise" and noted that in the U.S. as in France, there "are values to respect." According to Molex (maintain strict business confidentiality) the investment firm wanted Molex to guarantee future operating losses at the company while leaving behind a part of its production and order book, in addition to paying in advance, or putting in escrow, the possible future closing costs.

¶10. (SBU) On September 4, Molex appeared in labor court over one aspect of the dispute. Ninety-six out of 283 Molex employees are claiming salary payments for the month of August when they were on strike. The court will render its decision on September 18.

¶11. (SBU) The USG is not a party to this negotiation. We intervened strongly to protest lack of adequate police protection during the standoff. Since that incident, we have remained in close, ongoing contact with Molex and have provided our assessment of political and economic factors when requested. We have also

emphasized to the GOF that the continuation of this dispute could only harm the perception of France's investment climate in the United States. =On September 3, Ambassador Rivkin raised in a low key manner our concern regarding the dispute and the GOF intervention with the president of France's employer federation (MEDEF)and with Minister of Economy Lagarde EMIN also raised with Invest in France agency head.

Comment and Action Request

¶12. (SBU): The GOF appears willing to draw out the labor mediation process to be able to claim having tried to save jobs and for setting a moral standard for economic layoffs. Extending the conflict serves the unions interest. The GOF does not seem to appreciate the damage being done to France's investment climate reputation. Officials are hesitant to get involved given to the increasing level of politicization by Estrosi and President Sarkozy.
It should be clear to all parties at this point that Molex will close this plant shortly, either in an orderly fashion, with a substantial severance and retraining package, or when the subsidiary goes bankrupt. Post has made clear to Molex that we are prepared to highlight our assessment to the GOF at an appropriate moment. Embassy also requests any appropriate Washington trade policy guidance to respond forcefully to the GOF's planned boycott of Molex products.
RIVKIN